George Stigler on Regulation: Lessons for Today

Sam Peltzman
University of Chicago
Booth School
“..regulation is acquired by the industry and is designed and operated primarily for its benefit.”
Cumulative Return Differential
Pharma minus Value Weighted Market Return
Jan 1962- Aug 1963
Cumulative Return Differential
GSIFI Banks minus NonSIFI Banks*
Aug 2009 – Aug 2010

* Over $1B market cap in Aug 2009
Cumulative Return Differential
GSIFI Banks minus NonSIFI Banks
Jul 2010– Jan 2015
Cumulative Return Differential
Pharma minus Value Weighted Market Return
Aug 1963-Aug 1972
The introduction of new regulations has accelerated the evolution in certain areas, including market structure....

More intense regulatory and technology requirements have raised the barriers to entry higher than at any other time in modern history. This is an expensive business to be in if you don’t have the market share and scale. Consider the numerous business exits that have been announced by our peers, as they reassess their competitive positioning and relative returns.
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Lloyd Blankfein, CEO Goldman Sachs, Feb 10, 2015